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SUPREME COURT OF THE UNITED STATES

OCTOBER TERM 1952

NO. 38

SIDNEY STEELE, et al, PETITIONERS

versus

BULOVA WATCH COMPANY, INC.

ON WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

BRIEF FOR THE PETITIONERS

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OPINIONS

The majority opinion of the Court of Appeals (R. 389) and the dissenting opinion of Judge Russell (R. 399) are reported in 194 F. 2d 567-573. The findings of fact and conclusions of law of the District Court are printed in the record at pages 238-240.

JURISDICTION

The judgment of the Court of Appeals was entered on February 21, 1952. Petition for rehearing was filed March 7, 1952 and order denying the same was entered March 13, 1952. Petition for Certiorari was filed April 21, 1952 and was granted June 2, 1952. Jurisdiction of this Court rests on 28 U.S.C. 1254 (1).

STATUTES INVOLVED

The Lanham Trade-Mark Act, the Act of July 5, 1946, 60 Stat. 427, incorporated in 15 U.S.C. Secs. 1051-1127. The interpretation of no specific provisions of this Act is involved but its applicability to marks registered and used only within the Republic of Mexico is the question at issue.

SPECIFICATION OF ERRORS

The question presented and urged arise upon the following errors of the Court of Appeals:

1. The Court erred in holding that the Lanham Trade-Mark Act (15 U.S.C. Sec. 1051 et seq.) prescribes standards of fair competition to be observed by all nationals of the United States in the Republic of Mexico and throughout the world and hence forms the basis for a court of the United States to enjoin the use of a trade-name held under a grant from the Republic of Mexico and used solely within the Republic of Mexico in the internal commerce of that Nation.

2. The Court erred in holding that a United States District Court has power to apply the laws of the United States and enjoin the use of and thus nullify and cancel Mexican National Trade-Mark No. 33602, adjudicated by the Courts of Mexico to validly grant to Petitioner, Sidney

Steele, the right to use the name "Bulova" in the Republic of Mexico as a trade-name for watches, the evidence showing that watches bearing the name are assembled and stamped with the name in Mexico and sold only in the internal commerce of Mexico.

3. The Court erred in holding that the mere fact that Sidney Steele is an American citizen and the Trial Court acquired jurisdiction by service of process on him, gave the Trial Court power to apply the laws of the United States to his alleged acts of competition in Mexico in the face of the fact that his use of the name "Bulova" solely in the internal commerce of the Republic of Mexico was in accordance with a trade-mark granted under Mexican law and adjudicated to be valid by the Mexican Courts.

4. The Court erred in holding that the purchase by Sidney Steele of unbranded watch cases and watch dials from manufacturers and jobbers in the United States furnished a basis for the granting of an injunction against Petitioners, because the purchase of such unbranded cases and dials does not violate any right of Bulova Watch Company protected by law and does not justify nor tend to justify an injunction by a United States Court against the use in the Republic of Mexico of the trade-mark granted under the laws of Mexico.

STATEMENT

Bulova Watch Company, Inc., filed this suit on June 13, 1949 in the United States District Court at San Antonio, Texas, seeking a permanent injunction against the use by Sidney Steele of the name "Bulova" and a decree requiring cancellation of his duly granted Mexican National Trade-Mark No. 33602 covering the name "Bulova" for use in Mexico on Swiss watches. (R. 1-8)

Steele answered, stating that on December 5, 1933, he was granted Mexican National Trade-Mark No. 33602 covering the name "Bulova" for use in connection with the sale of Swiss watches of all classes (R. 260) and that he had been engaged in selling Swiss watches imported from Switzerland in Mexico under said trade name since 1933; that his right to use the same in connection with the sale of Swiss watches in Mexico had been twice adjudicated by the Mexican courts in actions brought by Bulova Watch Company and its agent; and that all of the transactions in watches bearing the name "Bulova" occurred within the Republic of Mexico and were in accordance with and sanctioned by the law of the Republic of Mexico and that the laws of the United States were wholly inapplicable thereto. (R. 8-15).

The District Court, based on undisputed evidence, made the following findings of fact, none of which were set aside or altered by the Circuit Court:

"1. The Defendant Sidney Steele is now and has been since 1933 engaged in the business of selling watches solely in the Republic of Mexico from his sole and only place of business located in Mexico City. The Defendant Sidney Steele has no place of business in the United States and does not engage in the sale of watches or other goods within the United States or any of its territories. The Defendant Sidney Steele does not compete in the sale of watches in the United States or in any territory subject to its jurisdiction. (R. 238)

"2. None of the acts of the Defendant Sidney Steele in placing the name 'Bulova' on the face or works of watches or in the sale of watches bearing said name were done or performed within the United States or any of its territories, but were done and performed solely within the Republic of Mexico where the Defendant Steele assembles, marks

and sells all of the watches bearing the name 'Bulova' which are assembled, marked and sold by him. (R. 238).

"3. The Defendant Sidney Steele procures all of the works of the watches sold by him solely from manufacturers of watches in Switzerland. None of the works of watches imported by him into Mexico from Switzerland have the 'Bulova,' name stamped or engraved on them, said name being placed thereon by said Defendant at his place of business in Mexico City and not elsewhere. The Defendant Steele procures all watch cases and watch dials used by him in his business in Mexico City from Switzerland except for some watch cases and watch dials which are procured from manufacturers or jobbers in the United States. None of the watch cases or watch dials purchased in the United States or in Switzerland have the 'Bulova' name stamped or engraved thereon, such name being placed on watch dials by the Defendant Sidney Steele at his place of business in Mexico City and not elsewhere. (R. 238).

"4. On December 5, 1933, there was granted to S. Steele, Y. Cia., S. A., the predecessor in title of Sidney Steele, Mexican National Trade-Mark No. 33602, purporting to grant the right to use the name 'Bulova' in the Republic of Mexico as a trade name for watches, and the Defendant Sidney Steele's asserted right to use said name is based on said Mexican trade-mark, which has been the subject of litigation between the Plaintiff Bulova Watch Company, Inc., and the Department of National Economy and the Director of National Property of the Republic of Mexico in cases before the Mexican courts in which Defendant Sidney Steele was a party, and the Plaintiff has not up to this time been successful in such litigation. At the present time there is a suit or proceeding pending in Mexico with reference to the right as between Plaintiff and the Defendant Sidney Steele to use the 'Bulova' name

on watches assembled and sold by said Defendant in Mexico." (R. 239).

Based upon the above findings, the Trial Court made the following conclusions of law:

> "1. The Court concludes that as a matter of law the alleged acts of unfair competition complained of by Plaintiff were and are done and performed wholly outside of the jurisdiction and control of the Government and laws, both State and Federal, of the United States and outside of the territorial jurisdiction and powers of this Court.
>
> "2. The Court concludes that as a matter of law the acts and conduct complained of relate to the internal commerce of the Republic of Mexico, solely within the jurisdiction and control of the Courts and the laws of the Republic of Mexico.
>
> "3. The Court concludes as a matter of law that it is without authority or jurisdiction to set aside or otherwise annul the Mexican trade-mark under which Defendant asserts the right to use the 'Bulova' name." (R. 239-40).

The following is a brief history of the litigation in Mexico which preceded the filing of this suit:

On February 12, 1946, thirteen years after the granting of the Mexican trade-mark to Sidney Steele, Bulova Watch Company commenced an administrative proceeding before the Director of Industrial Property "for a declaration of falsification, imitation and illegal use of the trade-mark 'Bulova'." The petition in this 1946 case raised substantially the same issues as the petition filed in the District Court at San Antonio, Texas in the instant case. (R. 262-266).

The Director General of Industrial Property of the Republic of Mexico denied the petition on the ground that it was barred by a 3-year limitation provision of Mexican

law (R. 286 and 383) and that "the proofs rendered do not carry the conclusion that the trade-mark 'Bulova' was notoriously known in this country on the date of the registry of such trade-mark." (R. 286). The "declaration of nullity" sought by Bulova Watch Company was in all things denied. (R. 293).

This action was reviewed by the District Court for the Federal District, Mexico City, and a decree was entered reversing the above-mentioned decree of the Director General of Industrial Property (R. 321-327). The judgment of the District Court was appealed by Sidney Steele and the Director of Industrial Property to the Supreme Court of Mexico, (R. 327-333) and on June 24, 1948 the Supreme Court of Mexico reversed the judgment of the District Court and affirmed the decree of the Director of Industrial Property, the Supreme Court declaring that the "judgment entered in the injunction suit to which this cause refers is revoked." (R. 346-358)

Thus, the administrative decree of the Director of Industrial Property sustaining the validity of the registered trade-name "Bulova" and Sidney Steele's right to the use of the name was finally adjudicated against Bulova Watch Company by the Supreme Court of Mexico. The issues in the instant case were involved in that case and were adjudicated against Bulova Watch Company and in favor of Steele.

On September 8, 1948, Bulova Watch Company commenced a proceeding in the Federal District Court in Mexico City against the Director General of Industrial Property, alleging that the Director General had granted and subsequently revoked an authorization in favor of Bulova's agent to deal in imported watches under the name "Bulova." Sidney Steele was named "the third prejudiced party in the suit." (R. 360) The Plaintiff prayed for an

injunction against the action of the Director General of Industrial Property in revoking an official communication of December 30, 1946, recognizing the agent's right to the use of the name "Bulova" in Mexico on watches which he desired to import and sell. (R. 363). This injunction was denied on the authority of "the final judgment of the Supreme Court of Justice of the Nation," again affirming the right of Sidney Steele to use the trade-name under the grant from the Director General of Industrial Property. (R. 367-9).

On September 11, 1948, Sidney Steele commenced an action before the Director of Industrial Property seeking a declaration of illegal use of his Trademark No. 33602 named "Bulova" by Bulova Watch Company, Inc. (R. 379), and answer was filed in such administrative action on October 20, 1948. (R. 381-2).

Bulova Watch Company, having been unsuccessful in attacking the trade-mark grant to Steele in the courts of Mexico, decided to attempt to re-commence the litigation in the American courts and claim that the validity of the Mexican trade-mark and the right to use the same in Mexico is governed by the laws of the United States and particularly the Lanham Trademark Act.

The instant suit based on the above theory, was filed in the District Court at San Antonio on June 13, 1949. (R. 1). The decision of the trial court dismissing the case and the basis thereof has been set out above.

The Court of Appeals reversed the judgment of the trial court, holding that the Lanham Trademark Act was applicable to the fact situation involved and furnished a basis for the granting of the relief sought by Bulova Watch Company.

SUMMARY OF ARGUMENT

1. Steele's right to use the "Bulova" name is based upon Mexican National Trade-Mark No. 33602 granted to him in 1933 under Mexican law. He used the name in Mexico continuously until 1946, a period of 13 years, before any challenge of his right to use the name was made by Bulova Watch Company. This challenge culminated in a decision of the Supreme Court of Mexico affirming Steele's right to the registered trade-mark "Bulova" in Mexico which right was again affirmed by the District Court for the Federal District in 1948. Under these facts the courts of the United States should not enter a decree canceling or issue an injunction nullifying the Mexican trade-mark used only in the internal commerce of Mexico.

2. The legal basis for the relief sought by Bulova Watch Company is the laws of the United States, and particularly the Lanham Trade-mark Act. This Act forbids unfair competition only in interstate and foreign commerce and is inapplicable to the trade-mark granted to Steele under Mexican law which is used solely in the internal commeree of Mexico.

3. The fact that Steele is a naturalized citizen of the United States does not require him while engaged in the business of selling watches in the internal commerce of Mexico to conform to the Lanham Trade-mark Act or any of the other laws of the United States regulating interstate and foreign commerce. There is nothing in the Lanham Trade-mark Act to indicate an intent on the part of Congress that it should apply to American citizens engaged in local commerce in foreign countries. In the absence of an express legislative provision making the Act applicable to citizens engaged in local trade in foreign countries the

Act should not be construed to apply to such foreign local activities.

4. The purchase by Steele of unmarked and unbranded watch cases and watch dials from manufacturers and jobbers in the United States infringes no right of Bulova Watch Company and violates no duty owed by Steele to said Company or anyone else. The purchase of unbranded and unmarked watch dials in the United States is irrelevant to the right of Bulova Watch Company to annul and cancel the Mexican trade-mark granted to Steele under which he uses the "Bulova" name on watches branded and sold solely within the Republic of Mexico in the internal commerce of said country.

5. Since Bulova Watch Company desires to enter into competition in the internal commerce of the Republic of Mexico with Steele and others in the sale of watches, it should do so in accordance with the laws of Mexico, and the administrative and judicial acts thereunder. Its remedy in the instant case is under Mexican law before the administrative agencies and courts of Mexico and not under the laws of the United States or in its courts.

ARGUMENT

The majority opinion in the Court of Appeals does not discuss, and apparently the majority of the Court did not consider, the true basis on which the Trial Court acted in this case.

The Trial Court found that Steele's claim of right to use the "Bulova" name was founded on a grant of such right by competent Mexican authority under the laws of Mexico and that Bulova Watch Company was seeking the decree of a court of the United States setting aside this official Mexican grant. The title of the Mexican National

Trade-Mark No. 33602 shows that it is a "grant" of the "exclusive ownership" of the "use of the word 'Bulova' " to cover watches. (R. 260).

Bulova Watch Company contends that it should be protected in the use of the "Bulova" name in the Republic of Mexico by the courts of the United States in accordance with the common law principles and the trade-mark statutes of the United States. The Company does not allege or contend that Mexico is a "common law" country. It is, of course, a "civil law" jurisdiction where exclusive rights to the use of trade-marks are obtained only by registration and grant in accordance with statutory or "code" law. Mexican National Trade Mark No. 33602 granted to Steele under Mexican code law is not subject to cancellation or to nullification except under and in accordance with the provisions of the Law of Industrial Property of the Republic of Mexico.

The courts of the United States should no more cancel and nullify the right to use a trade-name or trade-mark granted in Mexico under Mexican law than should the Mexican courts cancel rights grantetd or acquired under the laws of the United States to use a trade-mark or trade-name in the United States. This was the view of the Trial Court in the instant case. It held that, as a court of the United States, it "is without authority or jurisdiction to set aside or otherwise annul the Mexican trade-mark." (R. 240).

Marshall v. Turnbull, 34 Fed. 827, is a decision illustrating this principle. In that case the Circuit Court for the Eastern District of New York dismissed a suit seeking an injunction against the assertion of rights in an asphalt lake on an island in the mouth of the Orinoco River in Venezuela. The Court first held (32 Fed. 124) that injunctive relief might properly be granted since the Court

had jurisdiction over the Defendant as a person and was in a position to enforce its decree against him. However, on reconsideration the Court held that the relief sought was in derogation of a grant and official acts of the government of Venezuela, and that the Court was without authority to grant such relief. In deciding the case the Court said:

> "A naked injunction is asked for against him on the ground that his title is void because Venezuelan officials acted improperly in creating it. In other words, he, it is claimed, holds nothing, not because what he took passed (equitably) through him to the Manoa Company, but because the Venezuelan Government could give nothing. Turnbull's position under this bill is no different from that of some stranger to whom the Venezuelan government might have conveyed the rights originally conceded to Fitzgerald; and the court is asked to enjoin waste upon, or interference with, property in a foreign country, because, as it is alleged, certain official acts of the government of that country (annulling one concession and making a new one) are void. Such relief cannot be administered on such ground."

The trade-mark "Bulova" granted to Steele under Mexican law is a Mexican property right drawng its existence and force from the laws of Mexico. The use by Steele of the name on watches assembled and sold by him in Mexico constitutes the very essence of the right granted to him by Mexican National Trademark No. 33602. To enjoin him from the use of it is the same thing as entering a decree of cancellation of the registration and grant itself.

This point is stated with clarity and force by Judge Russell in his dissent in the Court of Appeals as follows:

> "That which the sovereign has authorized and judicially confirmed can not, when the acts are performed wholly within the territorial limits of such

> sovereign, be properly declared illegal and subject to injunction by our Courts merely because the perpetrator of such acts is an American citizen and in person subject to the jurisdiction of American Courts. Consequently, when, on December 5, 1933, the Mexican Director General of Industrial Property granted to Steele the right to use the name "Bulova" in the Republic of Mexico as a tradename for watches (as found by the trial Judge upon undisputed evidence) the acts of Steele *in Mexico* in accordance with the grant were not illegal. Especially is this so when it appears, as it does here, that his right to the trade-mark was upheld in the Mexican Court in the proceedings in behalf of appellant seeking to set aside such registered trade-mark in which Steele was named as a party." (R. 400)

The general rules with reference to the recognition of trade-marks or trade-names are stated in Section 11 of the Article on "Trade-marks, Trade Names and Unfair Competition," in *Volume* 63, *Corpus Juris*, as follows:

> "One person may own a particular trade-mark in one country or jurisdiction and the same trade-mark may belong to another person in another country or jurisdiction, or the same trade-mark may belong to one person in one part of a state and to another person in another part of the same state, or the trade-mark may be valid in one country and invalid in another."
>
> * * * *
>
> "Our courts do not decide what trade-marks exist or do not exist in foreign countries, and the decision of a court of a foreign country as to the existence or nonexistence of a trade-mark therein will be given full force and credit in this country; but such foreign decision will not settle who is entitled to the trade-mark here."

The above rule was stated and applied in *Ingenohl v. Olsen & Co.*, 273 U. S. 541, 71 L. Ed. 762, in an opinion

written by Justice Holmes involving the recognition of a trade-mark in the British colony of Hong Kong. Justice Holmes put the matter tersely as follows:

> "A trade-mark started elsewhere would depend for its protection in Honk Kong upon the law prevailing in Hong Kong, and would confer no rights except by the consent of that law."

In the case of *Hanover Star Milling Co. v. Metcalf*, 240 U. S. 403, 61 L. Ed. 713, Justice Holmes in a concurring opinion stated the power of different states over the use of trade-marks in their territory as follows:

> "But it never should be forgotten, and in this case it is important to remember, that when a trade-mark started in one state is recognized in another it is by the authority of a new sovereignty that gives its sanction to the right. The new sovereignty is not a passive figurehead. It creates the right within its jurisdiction, and what it creates it may condition, as by requiring the mark to be recorded, or it may deny."

The Lanham Trade-mark Act does not contain any provisions which attempt to extend the application of the Act beyond the boundaries of the United States. It forbids unfair competition and the use of a trade-mark in "commerce," and defines the term "commerce" as all commerce "which may lawfully be regulated by Congress." This Court has specifically held that Congress has no jurisdiction beyond the boundaries of the United States and its possessions. Its power does not extend into the territorial limits of a foreign nation and control acts pertaining to its internal commerce or affairs.

It is a fundamental concept of international law, as well as a matter of logic, that the government powers of one sovereign nation do not extend into and govern rights within the territorial domain of another sovereign nation.

In *The Schooner Exchange v. M'Faddon*, 7 Cr. 114 at page 136, Chief Justice Marshall stated this fundamental principle as to the jurisdiction of courts and national authority as follows:

> "The jurisdiction of courts is a branch of that which is possessed by the nation as an independent sovereign power.
>
> "The jurisdiction of the nation within its own territory is necessarily exclusive and absolute. It is susceptible of no limitation not imposed by itself. Any restriction upon it, deriving validity from an external source, would imply a diminution of its sovereignty to the extent of the restriction, and an investment of that sovereignty to the same extent in that power which could impose such restriction.
>
> "All exceptions, therefore, to the full and complete power of a nation within its own territories, must be traced up to the consent of the nation itself. They can flow from no other legitimate source."

In *The People v. McLeod*, 1 Hill 377, 15 N. Y. Com. L. Rep. 164, the Supreme Court of New York quoted the above language of Chief Justice Marshall and said: "these are not rules of yesterday; but have formed a part of the acknowledged law of nations for nearly two thousand years."

In *American Banana Co. v. United Fruit Co.*, 213 U. S. 347, 53 L. Ed. 826, the Court held that it was the universal rule "that the character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done," and refused to apply the antitrust laws of the United States in a suit between two American corporations based upon activities in Panama and Costa Rica. In its opinion the Court said:

> "For another jurisdiction, if it should happen to lay hold of the actor, to treat him according to

its own notions rather than those of the place where he did the acts, not only would be unjust but would be an interference with the authority of another sovereign, contrary to the comity of nations, which the other state concerned justly might resent."

* * * *

"The foregoing considerations would lead, in case of doubt, to a construction of any statute as intended to be confined in its operation and effect to the territorial limits over which the lawmaker has general and legitimate power. 'All legislation is prima facie territorial.' . . . Words having universal scope, such as 'every contract in restraint of trade,' 'every person who shall monopolize,' etc., will be taken, as a matter of course, to mean only everyone subject to such legislation, not all that the legislator subsequently may be able to catch."

In *Brown v. Duchesne*, 19 How. 183, 15 L. Ed. 595, it was held that a United States patent could be infringed only by acts done within the territorial boundaries of the United States. The opinion was written by Chief Justice Taney, and stated the basic principle with reference to the territorial reach of acts of Congress as follows:

"But these Acts of Congress do not, and were not intended to, operate beyond the limits of the United States; and as the patentee's right of property and exclusive use is derived from them, they cannot extend beyond the limits to which the law itself is confined. And the use of it outside of the jurisdiction of the United States is not an infringement of his rights, and he has no claim to any compensation for the profit or advantage the party may derive from it."

Cuba Railroad Company v. Crosby, 222 U. S. 473, 56 L. Ed. 274, involved the liability for personal injuries suffered by an employee while working for the defendant Railroad

in Cuba. The court held that since the liability, if any, arose under the law of Cuba and since the plaintiff produced no evidence as to what that law was, no presumption could be indulged in that it was the same as the law of the United States. On this point this Court said:

> "But when an action is brought upon a cause arising outside of the jurisdiction, it always should be borne in mind that the duty of the court is not to administer its notion of justice, but to enforce an obligation that has been created by a different law . . . . . The law of the forum is material only as setting a limit of policy beyond which such obligations will not be enforced there. With very rare exceptions the liabilities of the parties to each other are fixed by the law of the territorial jurisdiction within which the wrong is done and the parties are at the time of doing it . . . . . That, and that alone, is the foundation of their rights."

The majority opinion of the Circuit Court, in holding that the Lanham Trade-mark Act covered the use by Steele of the Mexican trade-mark within the Republic of Mexico stated: "It would seem that in the Lanham Trade-mark Act of 1946 the Congress intended to regulate interstate and foreign commerce to the full extent of its constitutional powers." The majority opinion, based on this premise, then proceeds to apply the Act as though it related not to the regulation of "interstate and foreign commerce", but to be internal or domestic commerce of the Republic of Mexico.

This illogical application of the Act dealing with "interstate and foreign" commerce to local commerce in a foreign country by the majority of the Circuit Court is sought to be justified by the fact that Sidney Steele is a naturalized citizen of the United States.

Laying aside for the moment the question as to whether or not the Congress of the United States has power to legislate with reference to the internal commerce of Mexico (which power is denied in the decisions quoted above) let us examine the question as to whether or not the Congress in enacting the Lanham Trade-Mark Act evidenced any intent to legislate with respect to such commerce or with respect to citizens doing business in the internal commerce of another country.

In *Sandberg v. McDonald*, 248 U. S. 185, 63 L. Ed. 200, this Court held that employment contracts of foreign seamen on foreign vessels in a foreign port were not invalidated on account of conflicting with the acts of Congress relating to payment of seamen's wages, and discussed the territorial nature of legislative acts as follows:

> "Legislation is presumptively territorial and confined to limits over which the lawmaking power has jurisdiction. American Banana Co. v. United Fruit Co., 213 U. S. 347, 357, 53 L. Ed. 826, 832 29 Sup. Ct. Rep. 511, 16 Ann. Cas. 1047. In Patterson v. The Eudora, supra, this court declared such legislation as to foreign vessels in United States ports to be constitutional. We think that there is nothing in this section to show that Congress intended to take over the control of such contracts and payments as to foreign vessels except while they were in our ports. Congress could not prevent the making of such contracts in other jurisdictions."

We submit that the Lanham Act is presumptively territorial as to the persons and transactions covered by it. There is nothing in the Lanham Trade-Mark Act to indicate any intention of Congress to make it effective as to citizens of the United States engaged in the internal commerce of Mexico or any other foreign country. The provision of the Act stating that it supplies to "all commerce

which may lawfully be regulated by Congress" does not deal with what "persons" the Act applies to, but to what "commerce" the same applies. The commerce intended to be covered is clearly "interstate and foreign" commerce and this provision of the law is not susceptible to any other construction.

There is nothing in the Lanham Act to indicate that Congress intended to depart from the common sense principle generally applied to civil statues regulating commerce and trade and to adopt a new and unprecedented principle that the same is to be applied to citizens of the United States in their local businesses established in and operated under the laws and customs of foreign countries.

There have been a few acts of Congress dealing with matters relating to citizenship itself which Congress has made specifically applicable to American citizens residing abroad.

In *Blackmer v: United States*, 284 U. S. 421, 76 L. Ed. 375, this Court sustained an act of Congress providing for the service of subpoenas upon American citizens residing in foreign countries, holding that this related to a duty appertaining to citizenship. But in that case the Court stated that "the legislation of Congress, unless the contrary intent appears, is construed to apply only within the territorial jurisdiction of the United States."

The Lanham Trade-Mark Act may be searched in vain for any expression of intent that it shall be applied on the basis of American citizenship or that the Congress had any intention that it would apply to rights arising under registered Mexican trade-names placed on articles sold only in the Republic of Mexico.

In *United States v. Bowman*, 260 U. S. 94, 67 L. Ed. 149, this Court discussed the extraterritorial application of the laws of the United States as follows:

> "Crimes against private individuals or their property, like assaults, murder, burglary, larceny, robbery, arson, embezzlement, and frauds of all kinds which affect the peace and good order of the community, must, of course, be committed within the territorial jurisdiction of the government where it may properly exercise it. If punishment of them is to be extended to include those committed outside of the strict territorial jurisdiction, it is natural for Congress to say so in the statute, and failure to do so will negative the purpose of Congress in this regard."

As stated in the above case, if Congress intends an act to be applicable outside of the territorial jurisdiction of the United States "it is natural for Congress to say so in the statute, and failure to do so will negative the purpose of Congress in this regard." Therefore, the failure of Congress to specifically provide in the Lanham Trade-Mark Act that it would apply to American nationals engaged in the internal commerce of foreign countries negatives any inference that Congress intended it to so apply.

The last article of the Lanham Trade-Mark Act (Article 1127 U. S. Code) contains a statement of the intent and purpose of the Act but, significantly, does not state that it is intended to apply to American nationals abroad or to the internal commerce of other nations. Certainly if Congress had any such novel idea in mind it would have been noted in this or some other section of the Act and would have been the subject of debate or comment in Congress.

As stated by Judge Russell of the Court of Appeals in his dissenting opinion:

> "Under even the broadest interpretation of the Lanham Act, supra, it evidences no attempt to prescribe a standard of fair competition for the Nations of the world. Its provisions are, and must be,

> applicable to territory within the reach of Congressional power. Neither do its provisions so compellingly permeate the being, or saturate the conscience, of an American Resident, doing business in a foreign country, as to impose a guilty stain upon his acts there done in accordance with authority granted by such country's laws." (R. 399).

The majority opinion of the Court of Appeals comments upon the facts that watches bearing the "Bulova" name which were purchased in Mexico were brought into the United States by the owners thereof and came to the attention of various watch dealers in the United States who sold watches supplied by Bulova Watch Company. No contention is made that these watches were imported into the United States to be sold in competition with watches offered for sale by Bulova Watch Company.

The undisputed evidence in this case shows, and the uncontested findings of the Trial Court are, that the Defendant Steele has engaged in the business of selling watches bearing the "Bulova" name "solely in the Republic of Mexico from his sole and only place of business located in Mexico City", and that Steele "does not compete in the sale of watches in the United States or in any territory subject to its jurisdiction." (R. 238). The fact that certain owners of watches who have purchased them in Mexico bring them into the United States does not create a cause of action against Sidney Steele, nor does it constitute a wrong of which Bulova Watch Company can complain. Such collateral facts do not bear upon the question in this case as to the right of an American court to cancel the registered Mexican trade-mark belonging to Steele and his right to use the name on watches sold solely in the internal commerce of Mexico.

The majority opinion of the Court of Appeals also comments upon the purchase by Steele of unbranded and unmarked watch cases and dials in the United States and the importation of the same into Mexico. The opinion infers that these purchases constitute a wrong which may be complained of by Bulova Watch Company and for some unexplained reason violate the Lanham Trade-Mark Act and confer power on the courts of the United States to enjoin Steele's use of the registered trade-mark in Mexico.

Bulova Watch Company did not complain in its complaint in the Trial Court and cannot complain of the purchase by Steele or anyone else of unbranded watch dials and watch cases from American manufacturers and jobbers. Such action infringes no right of Bulova Watch Company and violates no duty owed by Steele to the Watch Company, or anyone else. The relief which Bulova Watch Company seeks in this case is the cancellation and nullification by injunction of the Mexican Trade-mark under which Steele places the "Bulova" name on watches at his place of business in Mexico City.

In *Dowagiac Manufacturing Company v. Minnesota Moline Plow Co.*, 235 U. S. 641, 59 L. Ed. 398, this Court held that a sale in Canada of grain "drills" or planters covered by a United States patent did not constitute an infringement of the patent, holding that the place of sale and not the place of origin of the product was determinative of the question as to the application of the foreign law. In its opinion this Court said:

> "Some of the drills, about 261, sold by the defendants, were sold in Canada, no part of the transaction occurring within the United States, and as to them there could be no recovery of either profits or damages. The right conferred by a patent under our law is confined to the United States and its territories (Rev. Stat. Sec. 4888, Comp. Stat. 1913,

Sec. 9428), and infrigement of this right cannot be predicated of acts wholly done in a foreign country. See United Dictionary Co. v. G. & C. Merriam Co. 208 U. S. 260, 265, 52 L. Ed. 478, 480, 28 Sup. Ct. Rep. 290. The case of Gould's Mfg. Co. v. Cowing, 105 U. S. 253, L. Ed. 987, is cited as holding otherwise, but is not in point. There the defendant made the infringing articles in the United States. Here, while they were made by the defendants. The latter's infringement consisted only in selling the drills after they passed out of the makers' hands. The place of sale is therefore of controlling importance here."

What Bulova Watch Company seeks to enjoin Steele from doing is the placing of the word "Bulova" on the watches in the Republic of Mexico. No injunction is sought in this case against his purchasing unbranded watch cases and watch dials in the United States. The purchase of unmarked watch dials and watch cases in the United States does not violate any of Bulova Watch Company's legal rights and it therefore forms no basis for granting it any relief against Steele.

The record in this case shows that Bulova Watch Company took no action with reference to Mexican National Trade-Mark No. 33602 for approximately 13 years after it was granted to Sidney Steele and during such period acquiesced in the use of the name by him in Mexico. The record shows that Bulova Watch Company commenced its first action to set aside the trade-mark in February 1946 and was subsequently defeated in an attempt to nullify the trade-mark in an action affirmed by the Supreme Court of Mexico. Under these facts, the Watch Company's remedy, if any, is in the courts of Mexico and under Mexican law — not under the Lanham Trade-Mark Act and in the courts of the United States.

As stated by this court in *Slater v. Mexican National Railway Company*, 194 U. S. 120, 48 L.ed. 900:

> "The case is not one demanding extreme measures, like those where a tort is committed in an uncivilized country. The defendant always can be found in Mexico, on the other side of the river, and it is to be presumed that the courts there are open to the plaintiffs."

The Bulova Watch Company apparently desires to enter into competition with Steele and others in Mexico. We submit that it should do so under Mexican law as applied by the Mexican courts and administrative agencies.

CONCLUSION

For the reasons stated, it is respectfully submitted that the judgment of the Court of Appeals should be reversed and the judgment of the Trial Court affirmed.

Respectfully submitted,

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